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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

Y92.2236

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-7574

Wausau Paper Mills Company
(Exact name of registrant as specified in its charter)

Wisconsin	39-0690900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification number)

One Clark's Island P.O. Box 1408, Wausau, WI 54402-1408
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (715) 845-5266

Not applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

The registrant had 15,151,104 shares of no par value common stock outstanding at May 31, 1992.

THIS DOCUMENT HAS 13 PAGES

The Exhibit Index is located on Page 9

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WAUSAU PAPER MILLS COMPANY

AND SUBSIDIARIES

INDEX

		Page No.
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements Condensed Consolidated Balance Sheets May 31, 1992 (unaudited) and August 31, 1991	3
	Consolidated Statements of Operations Three Months and Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)	3
	Condensed Consolidated Statements of Cash Flows Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)	3
	Notes to Condensed Consolidated Financial Statements	3 - 4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	5 - 7
PART II. OTHER INFORMATION		
Item 6.	Exhibits and Reports on Form 8-K	8

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

This report is filed for Wausau Paper Mills Company and its consolidated subsidiaries.

Substantially all the financial information required in this report is included in the unaudited interim report of the Registrant for the period ended May 31, 1992, which has been made available to its shareholders. A copy of said interim report is attached as Exhibit (20) hereto, and the following information therein which is called for by this report is incorporated herein by reference:

Consolidated Statements of Operations Three Months and Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)

Consolidated Balance Sheets May 31, 1992 (unaudited) and August 31, 1991

Consolidated Statements of Cash Flows Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounts receivable consisted of the following:

	May 31, 1992	August 31, 1991
Customer Accounts	$29,609,000	$28,883,000
Misc. Notes and Accounts	665,000	632,000
	$30,274,000	$29,515,000
Less: Allowance for Discounts, Doubtful Accounts and Pending Credits	3,388,000	3,430,000
Net Receivables	$26,886,000	$26,085,000

Note 2: The various components of inventories were as follow:

	May 31, 1992	August 31, 1991
Raw Materials and Supplies	$21,153,000	$18,921,000
Work in Process and Finished Goods	17,913,000	17,931,000
	$39,066,000	$36,852,000
Less: LIFO Reserve	7,431,000	7,317,000
Net Inventories	$31,635,000	$29,535,000

Note 3: The accumulated depreciation on fixed assets was $99,606,000 as of May 31, 1992 and $90,123,000 as of August 31, 1991.

Note 4: A summary of Long Term Debt is as follows:

	May 31, 1992	August 31, 1991
Bonds, Mortgages and Similar Debt	$15,500,000	$29,769,000
Capitalized Leases	801,000	958,000
Total Long Term Debt	$16,301,000	$30,727,000

Note 5: Dividends per share were as follows:

Three Months Ending		Nine Months Ending	
May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
$.085*	$.075**	$.255*	$.225**

*The company's Board of Directors' meeting schedule resulted in the declaration of cash dividends of $.085 and $.075 per share in the three months ended May 31, 1992 and May 31, 1991, respectively.

**Per share dividends have been restated to reflect the two-for-one stock split to shareholders of record as of January 2, 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net Sales

Record third quarter net sales and shipments were achieved during the three month period ended May 31, 1992. For the quarter, net sales were $94,957,000 on shipments of 76,621 tons. Net sales were 7.6% higher than the $88,222,000 recorded during the third quarter of fiscal 1991. Fiscal 1992 third quarter shipments were 9.1% higher than the 70,245 tons shipped during the same period last year.

During the quarter, demand was strong for the company's printing and writing grades manufactured at Brokaw. Shipments for the third fiscal quarter exceeded prior year shipments by 8.2% at Brokaw. Sales mix continues to improve and Brokaw's order backlog on May 31, 1992 was at a normal level.

Demand for the company's technical specialty papers, manufactured at the Rhinelander division, remained strong throughout the third quarter. Shipments in the third quarter of fiscal 1992 were 10.3% higher than the same period last year. Order backlogs on May 31, 1992 were at normal levels.

Gross Profit

Gross profit was $21,338,000 or 22.5% during the three months ended May 31, 1992, as compared to $20,704,000 or 23.5% during the comparable period last year.

At Brokaw, finishing production improved over the same period last year, while pulp and paper production were consistent with the prior year. Finished goods inventory increased slightly from second quarter levels.

At the Rhinelander division, paper production was higher than the comparable period a year ago. Capital projects installed this past year improved operating efficiencies and production. Finished goods inventories increased slightly over the second quarter inventory levels.

Selling, Administrative and Research Expenses

Selling, administrative, and research expenses, which includes stock appreciation rights and stock option expenses, were $4,767,000 or $2,332,000 lower than the third quarter last year. Stock appreciation rights and stock option expenses for the third quarter were a credit of $811,000. Stock appreciation rights expenses for the comparable 1991 period were $2,312,000. Marketing and administrative expenses were higher than the prior year.

Interest Income and Expense

The company recorded interest income of $8,000 and interest expense of $207,000 during the three months ended May 31, 1992. This compares to interest income of $3,000 and interest expense of $897,000 incurred during the third quarter of fiscal 1991. The reduced interest expense is attributable to lower interest rates and to lower debt balances carried during the quarter compared to the same period last year.

Income Taxes

The income tax provision was $5,617,000 for an effective tax rate of 34.5% during the quarter ended May 31, 1992. This compares to a 35.5% rate applied over the same period last year. The 1992 rate was adjusted downward to reflect a research and development tax credit for fiscal years 1988 and 1989.

Net Earnings

Fiscal 1992 third quarter net earnings of $10,667,000 or $.70 per share were a third quarter record. This compares with net earnings of $8,248,000 or $.54 per share reported last year.

Capital Resources and Liquidity

Cash Provided by Operations

Cash provided by operations was $14,308,000 for the three months ended May 31, 1992. For the same period last year, cash provided by operations was $22,126,000. This decrease in cash provided by operations is due, in part, to the increase in pulp inventories, the increase in accounts receivable due to higher sales volume, and the increase in income taxes paid for increased profitability.

Capital Expenditures

Capital expenditures were $7,963,000 during the third quarter of fiscal 1992 as compared to $7,620,000 over the comparable period last year. The company plans to spend approximately $30,000,000 during 1992 for capital improvements. The research and development facility at Rhinelander became operational during the quarter. The $6.6 million central refining project is scheduled for completion in November. At Brokaw, several projects to reduce costs and improve efficiencies will be completed this fiscal year. During the quarter, a new winder on No. 1 paper machine and a new packaging line on No. 1 cut size sheeter were installed.

Financing

During the quarter, the company decreased the amount borrowed under its $45,000,000 revolving credit agreement. As of May 31, 1992, $15,500,000 was outstanding under the credit agreement. The company presently does not have any commercial paper outstanding. Effective interest rates on these amounts ranged from approximately 4.1% to 4.9%.

The company intends to fund future capital improvements through cash generated by operations and use of its existing credit and commercial paper agreements. The company believes that adequate capital resources and liquidity is available to achieve long-term goals.

Dividends

On May 29, 1992, the Board of Directors declared a quarterly cash dividend of $.085 per share payable July 1, 1992 to shareholders of record on June 19, 1992.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

Exhibits:

(20) Interim Report to Shareholders dated June 12, 1992.

There were no reports on Form 8-K filed for the three months ended May 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAUSAU PAPER MILLS COMPANY

Registrant

By: Thomas B Pitcher

Thomas B. Pitcher

Senior Vice President Finance

Secretary/Treasurer

(Principal Financial Officer)

Date: 7/14/92

wausau papers

RECORD SALES AND EARNINGS

92 3RD QUARTER REPORT

CONSOLIDATED STATEMENTS OF OPERATIONS

Wausau Paper Mills Company and Subsidiaries

(all dollar amounts in thousands except per share data)	For the Three Months Ended May 31 1992	1991	For the Nine Months Ended May 31 1992	1991
Net Sales	$ 94,957	$ 88,222	$278,214	$258,841
Cost of products sold	73,619	67,518	213,234	205,524
Gross Profit	21,338	20,704	64,980	53,317
Selling, administrative and research expenses	4,767	7,099	18,516	17,474
Operating Profit	16,571	13,605	46,464	35,843
Interest income	8	3	32	115
Interest expense	(207)	(897)	(1,032)	(3,168)
Other income (expense)	(88)	83	(5)	69
Earnings Before Provision for Income Taxes	16,284	12,794	45,459	32,859
Provision for income taxes	5,617	4,546	16,004	11,877
Net Earnings	$ 10,667	$ 8,248	$ 29,455	$ 20,982
Net Earnings Per Common Share	$ 0.70	$ 0.54	$ 1.94	$ 1.38
Weighted Average Number of Shares	15,150,974	15,148,104	15,149,520	15,148,104

NOTES TO FINANCIAL STATEMENTS

1. The accompanying unaudited financial statements include all adjustments which are, in the opinion of management, necessary to present fairly the condensed results for the interim periods presented. Such adjustments, which include LIFO inventory valuations and effective income tax rates, are based upon estimates and may require revision at year end.

2. Selling, administrative and research expenses include a stock appreciation rights (SARs) credit of $811,000 for the quarter ended May 31, 1992 and stock appreciation rights (SARs) and stock option expenses of $2,207,000 for the nine months ended May 31, 1992. SAR expenses for the comparable 1991 periods were $2,312,000 and $3,603,000 respectively. The earnings per share effect for the third quarter 1992 was a $.04 credit compared to a $.10 expense for the comparable 1991 period. The company calculates this liability using the average price of Wausau Papers stock at the close of each fiscal quarter as if all earned SARs had been exercised on that day.

3. All shares and per share data have been restated to reflect the two-for-one stock split to shareholders of record as of January 2, 1992 and the five-for-four stock split-up, effected in the form of a dividend, to shareholders of record as of January 3, 1991.

CONSOLIDATED BALANCE SHEETS

Wausau Paper Mills Company and Subsidiaries

(all dollar amounts in thousands)	May 31 1992	August 31 1991
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,573	$ 3,495
Accounts and notes receivable	26,086	26,085
Inventories	31,635	29,535
Other current assets	4,287	4,209
Total current assets	64,381	63,324
Property, plant and equipment	180,752	168,458
Other assets	9,167	8,524
Total Assets	$254,300	$240,306
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 264	$ 2,875
Accounts payable	18,908	20,034
Accrued and other liabilities	20,939	16,609
Accrued income taxes	1,230	4,145
Total current liabilities	41,341	43,663
Long-Term Liabilities		
Long-term debt	16,301	30,727
Deferred income taxes	32,207	28,164
Other deferred liabilities	8,035	7,718
Total long-term liabilities	56,543	66,609
Total shareholders' equity	156,416	130,034
Total Liabilities and Shareholders' Equity	$254,300	$240,306

Consolidated Statements of Cash Flows

Wausau Paper Mills Company and Subsidiaries

(all dollar amounts in thousands)	For the Nine Months Ended May 31 1992	1991
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from customers	$274,725	$262,038
Cash paid to suppliers and employees	(219,886)	(214,602)
Interest received	227	121
Interest paid	(1,627)	(3,661)
Income tax paid	(14,876)	(7,556)
Net Cash Provided by Operating Activities	38,563	36,340
Cash flows from investing activities:		
Capital expenditures	(21,171)	(18,893)
Proceeds from property, plant and equipment disposals	28	86
Net Cash Used in Investing Activities	(21,143)	(18,807)
Cash flows from financing activities:		
Net decrease in credit agreements	(7,142)	(11,692)
Principal payments	(8,501)	(2,702)
Dividends paid	(3,712)	(3,338)
Proceeds from sale of treasury stock	13	
Net Cash Used in Financing Activities	(19,342)	(17,732)
Net decrease in cash and cash equivalents	(1,922)	(199)
Cash and cash equivalents at beginning of year	3,495	1,994
Cash and Cash Equivalents at End of Quarter	$ 1,573	$ 1,795
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$ 29,455	$ 20,982
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for depreciation, depletion and amortization	9,919	9,770
Deferred income taxes	4,043	3,597
Changes in operating assets and liabilities:		
Receivables	(801)	2,887
Inventories	(2,100)	(9,082)
Other assets	(380)	(500)
Accounts payable and other liabilities	1,351	8,472
Accrued income taxes	(2,915)	223
Total Adjustments	9,108	15,358
Net Cash Provided by Operating Activities	$ 38,563	$ 36,340

To Our Shareholders:

Company operations for the three months ended May 31, 1992 resulted in third quarter records for net sales and shipments and a new quarterly record for net earnings. Your company earned $10.7 million, or $.70 per share, up 29% over the prior year. Net sales of $95 million were up 8% compared to the third quarter of fiscal 1991. Shipments of nearly 77,000 tons were 9% higher than the prior year. Improved product mix and strong demand for our products, as well as full production at both mills, resulted in this record performance.

For the nine months ended May 31, 1992, net earnings and sales also established new records. Net earnings of $29.5 million, or $1.94 per share, increased 40% over the prior year. Net sales for the same period were $278.2 million, an increase of 7% over last year.

Important capital projects have been completed recently at both mills. At Rhinelander, a new research and development laboratory became operational during the quarter, while Brokaw installed a new winder on No. 1 paper machine and a new packaging line on No. 1 cut size sheeter.

The board of directors declared a quarterly cash dividend of $.085 per share payable July 1, 1992 to shareholders of record on June 19, 1992.

A major contribution to our performance this year has been the continuous improvement in our product mix. At Brokaw, shipments of the more profitable text and cover grades have increased substantially. This segment, which includes Astrobrights and the new Royal Family recycled product line, has grown to nearly 30% of Brokaw's total business. A steady increase in shipments of pressure sensitive backing papers at Rhinelander has also contributed to the improved performance of your company this year.

Despite the sluggish economic recovery thus far in 1992, Wausau Papers is well on its way to another year of record earnings.

Sincerely,

Arnold M. Nemirow

Arnold M. Nemirow
President and
Chief Executive
Officer

June 12, 1992